

General Information

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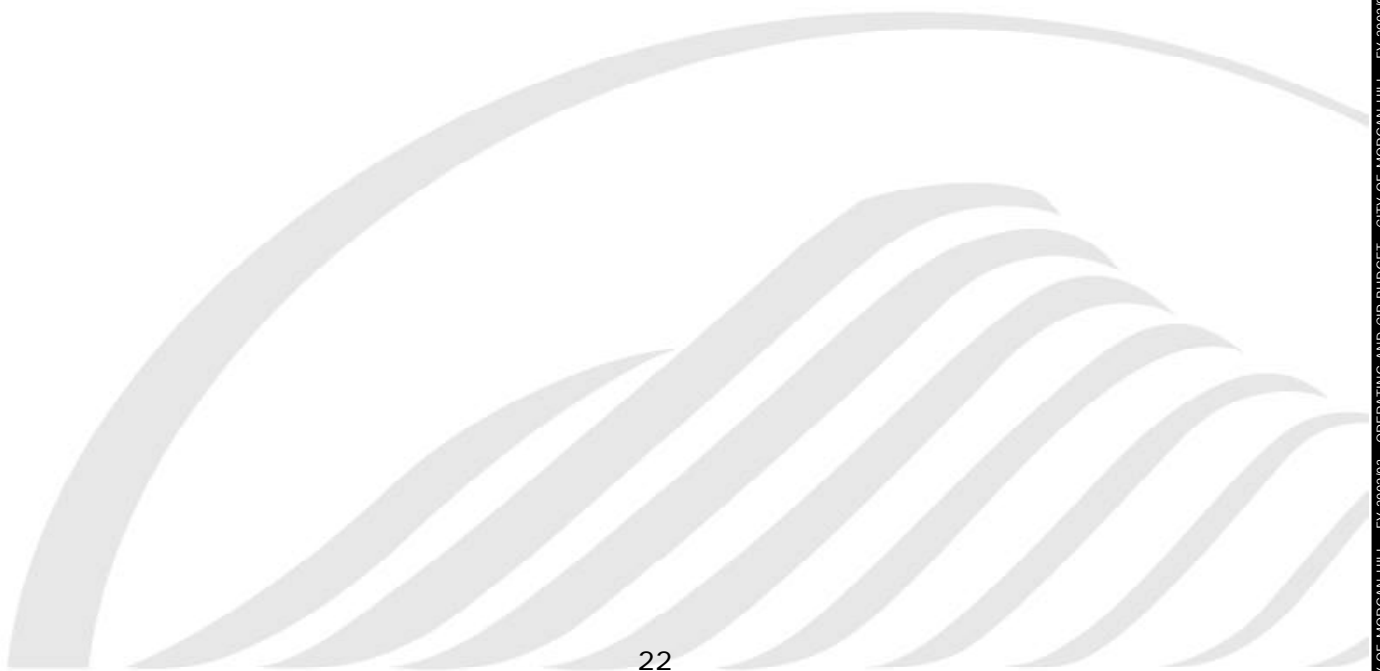
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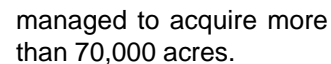
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CITY OF MORGAN HILL • FY 2002/03 • OPERATING AND CIP BUDGET



Diana and Hiram Morgan Hill built their estate, the Villa Mira Monte, between the railroad and Monterey Road in 1886. When the first Southern Pacific station was built in 1898, the railroad referred to this area as Huntington. Many visitors would request the train stop at "Morgan Hill's Ranch," changing the name to Morgan Hill.

Prior to the arrival of Spanish expeditions en route from Mexico, peaceful tribes of Native Americans inhabited the lush Santa Clara Valley. Under Spanish and Mexican jurisdictions, instituted in 1778, a vast region that includes present day Morgan Hill was one of the most substantial Spanish land grants for nearly three quarters of a century.

post office, depot, two hotels, a restaurant, and several churches and shops. There was much controversy over the incorporation of the city. The Times printed many editorials supporting the issue, while those opposed were fearful of higher taxes. But the “yes” vote won by a margin of 65-36 and Morgan Hill became incorporated November 10, 1906. By 1909 the population rose to 1,000.

The first school was built in 1894, but was soon outgrown and in 1907 architect William Weeks designed a new school. By the 1920s the City was known for its agricultural products including prunes, apricots, peaches, pears, apples, walnuts, and almonds. The region boasted prosperous vineyards until Prohibition demanded that production temporarily cease. Around the 1950s Morgan

About the City (continued)

Hill experienced an economic transformation from an agricultural center to a suburban residential community. Growth began to accelerate rapidly in the 1970s as Silicon Valley developed and workers were attracted to Morgan Hill's small town atmosphere, sense of community and reasonable housing prices. On November 3, 1973 the Morgan Hill Civic Center and library were proudly dedicated to the community of 7,000. By 1980 the population increased to approximately 18,000 residents. The 2000 census confirmed that 33,000 citizens called Morgan Hill their home.

Thoughtful planning has made Morgan Hill one of the most desirable and fastest growing city in Santa Clara County. People are drawn to the beautiful hillsides surrounding the valley, the peaceful atmosphere, the quaint downtown shops and eateries and general quality of life. Parks and open spaces abound, making Morgan Hill one of the last communities in the region with a charming, small town atmosphere. The fertile soil in and around Morgan Hill help growers produce wonderful fruits, vegetables and award winning wine. Residents and visitors often spend a sunny afternoon visiting some of the local vineyards offering wine tasting and tours, enjoying one of the local golf courses, or floating above the city in a hot air balloon.

The City of Morgan Hill is actively working to increase the amount of park space available to its citizens. It has purchased the 37-acre soccer complex on Condit Road and plans to covert it to a sports complex with fields for multiple sports, restrooms and concession stands. The City recently purchased eight acres immediately east of its Community Park. The land is slated to include an indoor recreation center with a gymnasium, youth and senior wings, and perhaps a swimming pool. It also hopes to build an aquatics center. Morgan Hill youth have the opportunity to participate in an array of organized sports activities such as baseball, soccer, football as well as the availability of dance, gymnastics, and karate studies. The Morgan Hill Unified School District works closely with the city to plan new school campuses.

The Morgan Hill Unified School District encompasses nearly 300 square miles and serves the ethnically diverse population of Morgan Hill, San Martin, portions of San Jose, and unincorporated areas of the county. We are comprised of 15 schools: ten elementary, two middle, one high school, a continuation high school, and a community adult school. MHUSD's multi-ethnic population includes over 9000 students and 1000 employees. The Board of Education continues to place a high priority on informing the community at large about its schools. Three new schools opened last school year: Barrett Elementary, a district school; Crossroads Baptist School, a private school; and the Charter School of Morgan Hill, a charter school funded by the state and private donations.

The City of Morgan Hill has made a large commitment to the arts by building a Community and Cultural Center at the key intersection downtown. When complete, the \$13 million center will feature space for community members to create art and ceramics, to dance and exercise, and to meet. Part of this project includes converting an historic church into a 199-seat theater. This \$2.4 million theater will feature a 46-foot stage, deep enough to allow multiple uses of the facility at the same time. These facilities are expected to be completed by the end of 2002.

The Valley in which Morgan Hill is located is approx-imately 4 miles wide and is sur-ounded by the Santa Cruz moun-tain range to the west, and the Diablo mountain range to the east. Morgan Hill is located in south-ern Santa Clara Valley, approx-imately 12



About the City (continued)

miles south of San Jose, 10 miles north of Gilroy, and 15 miles inland from the Pacific Coast. The city is a short commute to the businesses of the Silicon Valley, and Caltrain runs daily through the city and connects commuters to San Jose's light rail systems throughout the Bay area. Over the past three years, the city has seen a substantially elevated level of industrial/commercial development. During the last three years, Morgan Hill has gained 1.7 million square feet of building space. Morgan Hill is considered a natural setting for business - a balanced business environment that inspires innovation and productivity. From its picturesque hillside setting and exceptional quality of life.

Founded in 1906, Morgan Hill is a general law city with a council-manager form of government. The four Councilmembers are elected in municipal elections to four-year terms. The Mayor is directly elected to serve a two-year term. In addition to the Council, the City Clerk and City Treasurer are also elected to four-year terms. The city has a volunteer Planning Commission, made up of seven members appointed by a majority vote of the Council to four-year terms. Other advisory boards include the Architecture and Site Review, Bicycle Advisory, Library, Mobile Home Rent Control, Parks and Recreation, Senior Advisory and Youth Advisory commissions.

Projected Growth

	2000	2010	% incr
Population	32,122	38,800 ¹	21%
Households	12,430	15,440	24%
Employed	20,700	23,800	15%
Jobs	15,220	19,970	31%

Source: Projection 2000 Association of Bay Area Governments. ¹ City of Morgan Hill General Plan 2000

Top Employers (May 2002)

Morgan Hill Unified School District	869
Anritsu	753
Abbott Laboratories	603
Condor Systems	350
Media Arts Group	290
Paramit Corporation	250
Cloverleaf Construction	226
Educational Data Systems	200
Fox Racing, USA	200
City of Morgan Hill	185
Safeway Inc	185
Custom Chrome	172
Ericsson RF	166
North Coast Medical	150
Sakata Seeds America	150
Target Store	130
Mervyns	127
Specialized Bicycle Components	120
Young's Market	110
Alien Technology	96
Zeta	85
Advanced Machine Programming	80
Pacific Hills Manor	70

Morgan Hill At A Glance

Incorporated:	1906
Population:	34,785
Households:	10,982
Average Household Income:	\$96,000
Persons per households:	3.19
Square Miles:	12
Elevation (above sea level):	320'
Average Rainfall:	19.77"
Average Temperature	
January: High	57.9
Low	41.1
July: High	81.5
Low	56
Retail sales tax:	8.25%
Public Schools:	15
Churches:	21
Libraries:	1
Newspapers/New Publications:	3

CITY OF MORGAN HILL • FY 2002/03 • OPERATING AND CAPITAL BUDGET

Personnel levels have a direct effect on public services. The **Staffing** section shows 2001/02 and 2002/03 staffing levels by function. Organization charts are provided in this section and in each departmental budget where applicable. **Departmental budgets** also include a description of the department's activities, current year highlights and goals for the coming fiscal year. The sections for each department contains historical information on staffing and expenditures.

Included in the **Supplemental Information** section are various reports on the status of pilot programs implemented, and reports regarding important issues facing the City.

A complete copy of the Five Year Capital Improvement Plan (CIP) is included under the heading of **Capital Programs**. The five year document represents a plan of improvements, a detailed description of each project and the available funding sources.

Basis of Accounting

Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds. These funds are accounted for using the modified accrual basis of accounting. Agency funds are also accounted for using the modified accrual basis.

Proprietary funds include Enterprise Funds and Internal Service Funds. These funds are accounted for using the accrual basis of accounting.

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP basis). The major difference between the budgetary basis and GAAP basis is that year end encumbrances are recognized as the equivalent of expenditures on the budgetary basis in governmental funds, while encumbered amounts are not recognized as expenditures on the GAAP basis.

Budget Overview (continued)

Appropriations Limit

The City's appropriations limit for the budget cycle has been prepared in accordance with uniform guidelines prepared by the League of California Cities. The City of Morgan Hill uses the cost of living index and the percentage of population growth within city limits to calculate the factor for increasing the appropriation limit. Propositions 4 and 111 create a restriction on the amount of tax revenue which can be appropriated in any fiscal year. The fiscal year 2002/03 appropriation limit is \$50,291,376 and appropriations subject to this limit are \$11,875,450. Schedules showing the calculations follow this narrative.

Allocated Costs

The City of Morgan Hill has seven internal service funds. These funds account for the costs of services provided to other City departments. Costs are allocated to user departments based on various factors such as square footage, personnel, number of computer workstations and historical trends.

In addition to Internal Service funds, the City of Morgan Hill allocates General Fund overhead to other funds/departments as General Administration Overhead charge. The total administrative charge for the budget year 2002/03 is \$1,855,937. These charges are based on services provided on the basis of General Fund departments and are allocated by estimated service levels and personnel.

Budget Administrative Policies - With the adoption of the annual budget, the City Council recognizes that the appropriations for the operating activities and capital budgets are based on estimates of municipal needs for the fiscal year. In order to establish reasonable flexibility in the administration of the budget, the following policies have been adopted. These policies are intended to provide the authority necessary for the City Manager and Department Directors to administer the budget during the fiscal year in accordance with City Council directions, goals and policies, and in light of varying conditions which may occur.

Appropriations

Appropriations are the amounts approved for expenditure by the City Council with the adoption of the annual budget and subsequent budget amendments which are brought to the Council for their approval. Appropriations are separated by object categories within an activity budget. The object categories available are: 1) Employee Services; 2) Supplies and Services; 3) Capital Outlay; 4) Debt Service; 5) Internal Services; and 6) Transfers. The legal level of control is established as follows:

A Department Director has the authority to transfer between lines items within an activity to facilitate the functions of the activity in accordance with the directions, goals and policies of the City Council. The City Manager is authorized to transfer appropriations within an activity budget to facilitate the functions of that activity in accordance with the directions, goals and policies of the City Council.

A transfer of appropriations between activities requires City Council approval. Additional appropriations require City Council approval. New programs and new appropriations not anticipated during the budget process require City Council approval.

Budgetary Control

Budgetary control is maintained through monthly reports of revenue and expenditure accounts. The detailed monthly reports are reviewed by the City Manager and each Department Director. The City Council is provided a summary report each month. The monthly report is reviewed by the Audit and Finance Committee. The Committee is composed of two Councilmembers and the City Treasurer. The Director of Finance serves as staff to the Committee.

A mid-year budget review and adjustment process is completed each January and submitted to the Council for review and approval in February. Budgetary adjustments are only considered within the framework of the adopted budget and the City Council directions, goals and policies. New programs and new appropriations are not considered as part of the mid-year budget review.

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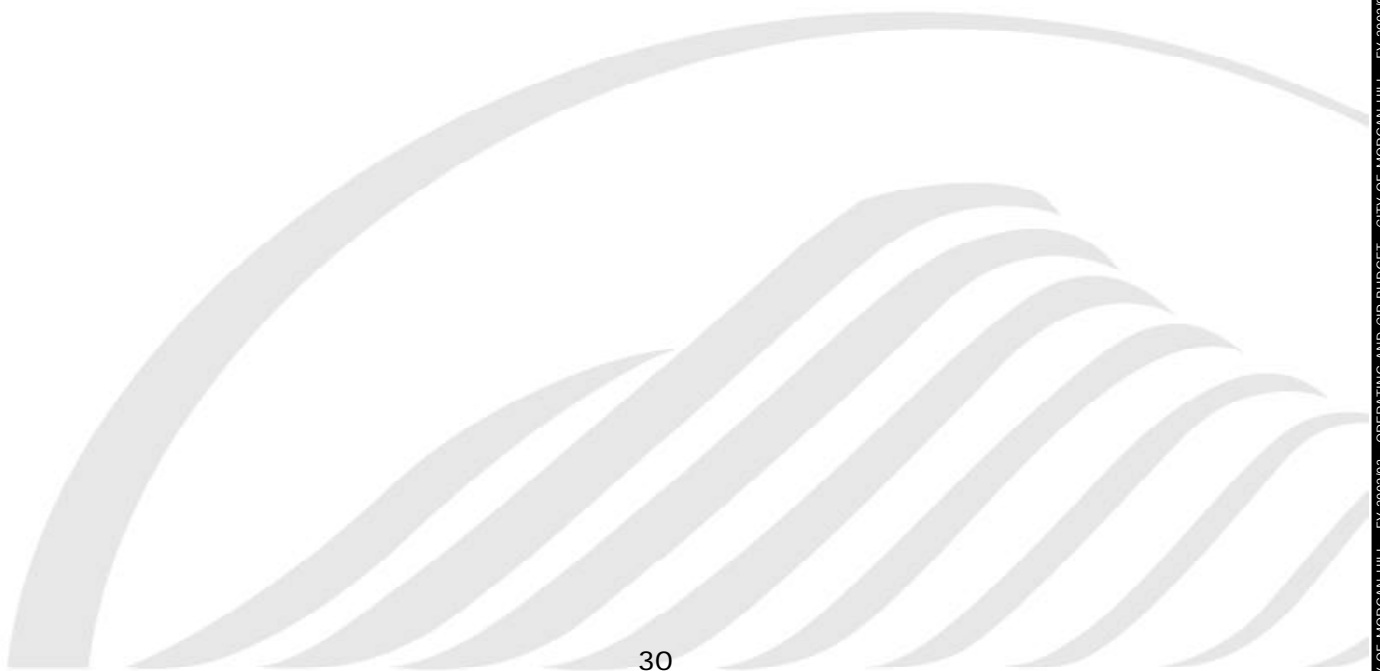
<u>District</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Principal Outstanding</u>	<u>Debt Service 2002/03</u>
Cochrane Bus Park	1986	2012	1,509,500	72,796
Joleen Way	1992	2009	140,000	28,000

<u>District</u>	<u>Due Date</u>	Principal <u>Outstanding</u>	Debt Service <u>2002/03</u>
1992 SCRWA	2023	24,280,000	1,327,799
1993 Water Facilities	2017	1,464,032	83,303
1999 COP	2021	4,685,000	110,116

All principal and interest payments due on bonds, COP's and loans during fiscal year 2002/03 are included in the budget.

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The City of Morgan Hill has prepared a one-year budget for Fiscal Year 2002/03. Beginning in January 2002, each department was provided with a budget calendar, information packet and various Finance prepared data. Departments submitted proposed revenues and expenditures for the 2002/03 fiscal year based on certain service levels and activity goals. General government revenue projections were prepared by Finance. This process, overseen by the City Manager, was completed in May 2002. The City Manager's recommended budget was presented to the City Council on May 15, 2002. Following Council workshops on May 31, 2002, and a public hearing, the fiscal year 2002/03 budget was adopted June 26, 2002.



Description of Funds

GENERAL FUND (010)

The General Fund is a governmental fund used to account for the day-to-day operations of the City. All financial activity that is not required to be accounted for in another fund is included in the General Fund. Public safety, government administration, recreation, and park maintenance are funded from the General Fund.

The General Fund receives all general taxes, such as property taxes, sales taxes and transient occupancy taxes, licenses and permits, funding from other government agencies such as vehicle-in-lieu fees, fines and penalties, interest, rentals not specifically designated for another fund, and charges for current services.

STREET MAINTENANCE FUND (202)

The Street Maintenance Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal gas tax and grant monies, and other monies that are to be used for the maintenance, repair, and design of streets. State gas tax funds are distributed to cities based on population from gas taxes collected at the point of sale. The use of gas tax funds is restricted to street expenditures by State and Federal legislation.

PUBLIC SAFETY TRUST FUND (204/205)

The Public Safety Trust Fund is a special revenue fund used to account for the receipt and disbursement of State and Federal grant monies that provide for the restoration of public safety services. The use of grant monies in this fund is legally restricted for the funding of public safety officers and/or supplies under the terms of the grants.

COMMUNITY DEVELOPMENT FUND (206)

The Community Development Fund is a special revenue fund used to account for the collection of planning, building, and engineering fees. The expenditures of these funds are restricted to the costs associated with processing building, engineering and planning applications.

GENERAL PLAN UPDATE FUND (207)

The General Plan Update Fund is a special revenue fund established to account for the costs of updating the General Plan. The update has been funded by transfers from various funds: General, Park Development Impact, Community Development, Redevelopment, Housing, Sewer, and Water. The expenditures are restricted to costs incurred for the General Plan update.

COMMUNITY CENTER FUND (210)

The Community Center Fund was established to provide a vehicle for the accumulation of funds and future interest earnings to help offset the start up costs and costs of operation and maintenance for new community facilities.

HOUSING AND COMMUNITY DEVELOPMENT FUNDS (215/216)

The Housing and Community Development Funds are special revenue funds used to account for Federal low and moderate income housing program funds. These funds are restricted to low and moderate income housing uses.

ENVIRONMENTAL PROGRAMS FUND (232)

The Solid Waste Management Fund is a special revenue fund established to account for the costs of developing and implementing waste reduction programs and administering the City's franchise agreement for solid waste. The revenues for this fund come from a portion of the franchise fees for garbage services and are restricted to the above uses.

Description of Funds (continued)

OTHER SPECIAL REVENUE FUNDS

There are seven other small special revenue funds. The balances in these funds are restricted by law and/or ordinance. The funds include: Museum Rental, Asset Seizure, Lighting and Landscape, Mobile Home Park Rent Stabilization, Senior Housing Trust Fund, Housing Mitigation Fund, and Employee Assistance Fund.

The Senior Housing Trust Fund was established to account for the funds that were set aside to fund programs for elderly persons over the age of 55, while the Housing Mitigation Fund was established to provide for housing related programs and projects.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for the financial resources to be used for acquisition and/or construction and/or maintenance of capital facilities. The funds are restricted by State law and/or City ordinance for specific uses. AB1600 restricts the collection and use of certain development impact fees. AB1600 (Government Code Sect. 66000-66003) indicates that there must be a reasonable relationship between the fee and the purpose for which it was charged. The following funds are the Capital Projects Funds:

PARK DEVELOPMENT IMPACT FUND (301)

Park Development Impact Fund revenues are received from developers of properties. The funds may only be used for the design, development and construction of new parks within the City. (Fund is subject to the restrictions of AB1600.)

PARK MAINTENANCE/ DEVELOPMENT FUND (302)

Park Maintenance/Development Fund receives revenues from developers of properties and the funds may only be used for the maintenance and development of the City's parks.

LOCAL DRAINAGE IMPACT FUND (303)

Local Drainage Impact Fund revenues are received from developers of properties and the funds may only be used for the design and construction of new storm drains. (Fund is subject to the restrictions of AB1600.)

LOCAL DRAINAGE FUND (304)

Local Drainage Fund revenues are received from developers of properties and the funds may be used for the design, construction, and maintenance of storm drains.

OFF-STREET PARKING FUND (305)

Off-Street Parking Fund accumulates revenue from charges to developers within the downtown core area to help meet future parking requirements.

OPEN SPACE FUND (306)

This is a new fund set up to account for open space fees collected from developers. These funds are to be expensed for open space expenditures.

TRAFFIC IMPACT FUND (309)

Traffic Impact Fund revenues are received from developers if their projects have an adverse impact on traffic flows, streets, etc. The funds collected may be expended on new streets, traffic signals, and improvements of existing streets where they are impacted by new development. (Fund is subject to the restrictions of AB1600.)

POLICE IMPACT FUND (311)

Police Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct public improvements for Police facilities needed as a result of new development. Expenditures may only be made for the future construction of the required new Police facilities or to reimburse the City for funds advanced to construct such facilities. (Fund is subject to the restrictions of AB1600.)

Description of Funds (continued)

FIRE IMPACT FUND (313)

Fire Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct public improvements required for Fire facilities as a result of new development. Expenditures may only be made for the future construction of the required new Fire facilities or to reimburse the City for sums advanced to construct such facilities. (Fund is subject to the restrictions of AB1600.)

PUBLIC FACILITIES IMPACT FUNDS (346/347)

Public Facilities Impact Fund revenues are derived from fees charged to developers to cover the costs to construct public improvements required as a result of new development. Expenditures may only be made for the future construction of the required new facilities or to reimburse the City for funds advanced to construct such facilities. (Fund 347 is subject to the restrictions of AB1600.)

LIBRARY IMPACT FUND (348)

Library Impact Fund revenues are derived from a fee charged to developers to cover the costs to construct library improvements required as a result of new development. Expenditures may only be made for the future construction of the required new library facilities or to reimburse the City for funds advanced to construct such facilities. (Fund is subject to the restrictions of AB1600.)

UNDERGROUNDING FUND (350)

Undergrounding Fund receives revenues from developers for the undergrounding of utilities in areas of new development. Expenditures may be made from these funds only for the design and construction associated with such undergrounding.

ASSESSMENT DISTRICT FUNDS

The Assessment District Funds are used to account for the debt service and required reserve funds for certain assessment districts within the City. Property assessments are collected from property owners and debt

service payments are made from the assessments collected. These funds are restricted by the bond covenants and agreements. These bonds are not a debt of the City.

REDEVELOPMENT AGENCY FUND

The Health and Safety Code of the State of California specifies the funds that Redevelopment Agencies are to use to account for the activity of an Agency.

REDEVELOPMENT PROJECT FUND (317)

Redevelopment Project Fund accounts for the activities of the Redevelopment Agency capital projects, economic development, and the administrative costs of the Agency. Expenditures may be made from this fund only for the design, engineering, administration, construction and other costs associated with Redevelopment projects.

REDEVELOPMENT HOUSING FUNDS (327/328)

Redevelopment Housing Funds account for the 20% set-aside funds collected from property tax increment for housing programs. Expenditures may be made from this fund only for the design, engineering, administration, construction and other costs associated with Redevelopment housing projects.

ENTERPRISE FUNDS

The Sewer and Water funds are divided into four different funds each: Operations, Impact, Rate Stabilization, and Capital Projects. Each fund is restricted to uses as described.

SEWER OPERATIONS FUND (640)

The Sewer Operations Fund receives revenues from user charges based on sewer usage. All expenditures for the operation of the sewer system including maintenance, and debt service are charged to the Sewer Operations Fund.

Description of Funds (continued)

SEWER IMPACT FUND (641)

The Sewer Impact Fund receives revenues from developer charges to cover the costs to construct sewer improvements required as a result of new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. (Fund is subject to the restrictions of AB1600.)

SEWER RATE STABILIZATION FUND (642)

The Sewer Rate Stabilization Fund was established to avoid fluctuations in the sewer rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$4,000,000 from the Sewer Operations Fund.

SEWER CAPITAL PROJECTS FUND (643)

Previously identified as the Sewer System Replacement Fund, this fund was renamed and combined with the Sewer Capital Projects Fund. This fund was established to avoid fluctuations in the sewer rates charged by providing reserve funding for future system replacements. The fund was initially funded with one-time revenues. The initial contribution to the System Replacement Fund was \$1,300,000 from the Sewer Operations Fund. Future funding will come from transfers from the Operations Fund.

WATER OPERATIONS FUND (650)

The Operations Fund receives revenues from user charges based on water usage. All expenditures for the operation of the water system including maintenance, and debt service are charged to the Water Operations Fund.

WATER IMPACT FUND (651)

The Impact Fund receives revenues from developer charges to cover the costs to construct water improvements required as a result of the new development. Expenditures may only be made for the construction of the required improvements or to reimburse the City for funds advanced to construct such improvements. (Fund is subject to the restrictions of AB1600.)

WATER RATE STABILIZATION FUND (652)

The Rate Stabilization Fund was established to avoid fluctuations in the water rates charged. The fund was initially funded with one-time revenue. The initial contribution to the Rate Stabilization Fund was \$800,000 from the Water Operations Fund.

WATER CAPITAL PROJECTS FUND (653)

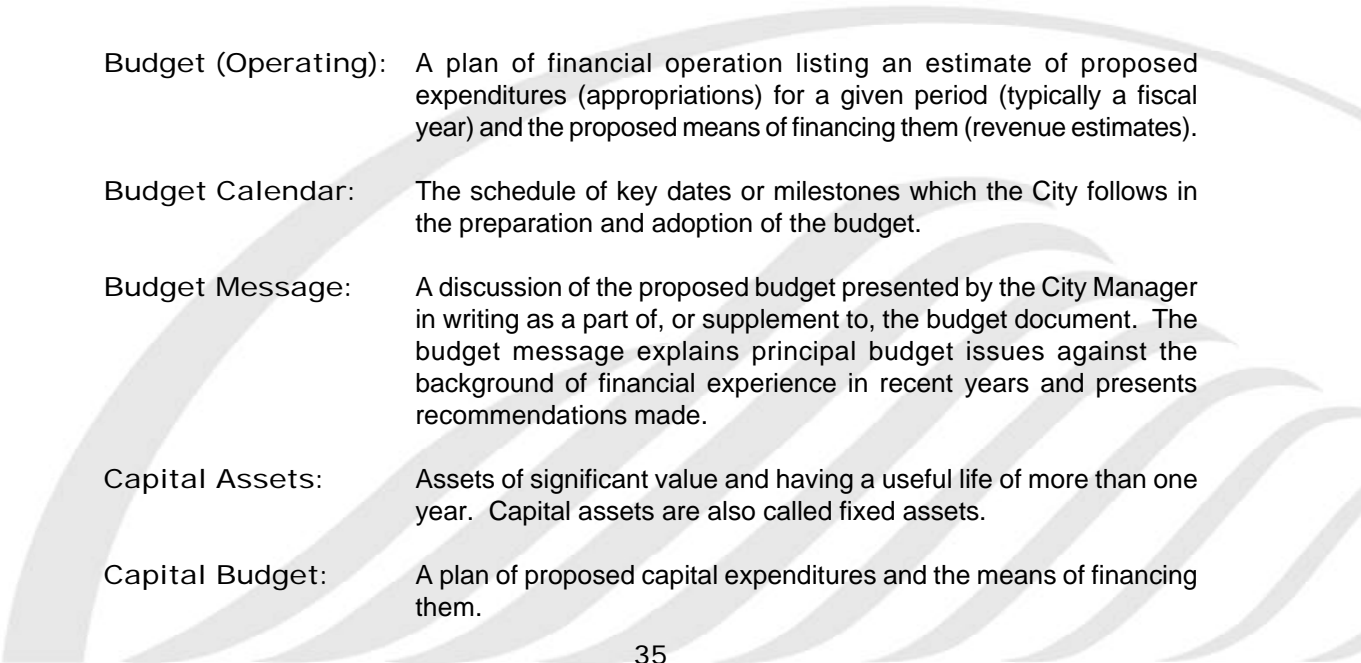
Previously identified as the Water System Replacement Fund, this fund was renamed and combined with the Water Capital Projects Fund. This fund was established to avoid fluctuations in sewer rates by providing reserve funding for future system replacements. The initial contribution to this fund was \$2,550,000 from the Water Operations Fund. Future contributions will come from transfers from the Operations Fund.

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and/or services provided by one department to other departments within the City and the Redevelopment Agency. The Internal Service Fund accumulates all the costs related to the service provided and then the costs are charged to the department receiving the goods and/or services based on the quantity of service received.

The City maintains the following Internal Service Funds:

- 730 Information Systems
- 740 Building Maintenance
- 745 Capital Improvement Program Administration
- 760 Unemployment Insurance
- 770 Worker's Compensation
- 790 Equipment Replacement
- 795 General Liability Insurance

[illegible]

Budget (Operating):	A plan of financial operation listing an estimate of proposed expenditures (appropriations) for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates).
Budget Calendar:	The schedule of key dates or milestones which the City follows in the preparation and adoption of the budget.
Budget Message:	A discussion of the proposed budget presented by the City Manager in writing as a part of, or supplement to, the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations made.
Capital Assets:	Assets of significant value and having a useful life of more than one year. Capital assets are also called fixed assets.
Capital Budget:	A plan of proposed capital expenditures and the means of financing them.

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Glossary (continued)

Capital Improvement Program:	A five year plan for expenditures setting forth each capital project, the amount to be expended in each year, and the method of financing those expenditures. Expenditures may include the design, construction, or purchase of land, buildings, or facilities.
Capital Outlays:	Expenditures for the acquisition of capital assets. Includes the cost of land, buildings, permanent improvements, machinery, large tools and rolling and stationary equipment.
Capital Projects:	Projects for purchase or construction of capital assets. Typically a capital project encompasses a purchase of land and/or the construction of a building or facility.
Capital Projects Fund:	Used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Internal Service Funds).
Certificate of Deposit:	A negotiable or non-negotiable receipt for monies deposited in a bank or financial institution for a specified period at a specified rate of interest.
CIP Engineering:	All work involved in preparation of construction plans, contractual documents and construction administration for the design and upgrade of various infrastructures for projects identified in the 5-year Capital Improvement Program.
Contingency:	A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for.
Debt Service:	Payment of interest, and repayment of principal to holders of the City's debt instruments.
Debt Service Fund:	Used to account for the accumulation of resources for, and payment of, general long-term debt.
Deficit:	(1) The excess of an entity's liabilities over its assets (see Fund Balance); or (2) The excess of expenditures or expenses over revenues during an accounting period.
Encumbrances:	Obligations in the form of purchase orders or contract commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances are eliminated when paid or when a liability is recorded.
Enterprise Fund:	Separate fund used to account for government operations that are financed and operated in a manner similar to business enterprises. These programs are entirely or predominantly self-supporting. Examples of Enterprise Funds are those used for sewer and water systems.

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Intergovernmental Grant:	A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the State and Federal Governments. Grants are usually made for specified purposes.
Internal Service Fund:	Funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City.
Investments:	Securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals or base payments.
Liability:	A debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed or refunded at some future date. NOTE: The term does not include encumbrances.

Glossary (continued)

Maturities:	The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.
Operating Funds:	Resources derived from recurring revenue sources used to finance ongoing operating expenditures and pay-as-you-go capital projects.
Performance Measures:	Specific quantitative measures of work performed within an activity or program (e.g., total miles of streets cleaned). Also, a specific quantitative measure of results obtained through a program or activity (e.g., reduced incidence of vandalism due to new street lighting program).
Reserve:	An account used to indicate that a portion of fund equity that is legally restricted for a specific purpose.
Resources:	Total dollars available for appropriations including estimated revenues, fund transfers, and beginning fund balances.
Revenue:	Total dollars received from taxes, fees, permits, licenses, interest, and intergovernmental sources including grants within the fiscal year.
Revenue Bonds:	Bonds which pledge one specific revenue source to repayment. In addition to a pledge of revenues, such bonds sometimes may be secured by a lien against property.
Revenue Estimate:	A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.
Special Revenue Fund:	Separate fund used to account for the proceeds of special revenue sources that are restricted by law (or administrative action) to expenditures for specific purposes.
Unit Cost:	The cost required to produce a specific product or unit of service (e.g., the cost to purify one thousand gallons of water).
User Charges:	The payment of a fee for direct receipt of a public service by the party benefitting from the service.
Yield:	The rate earned on an investment based on the price paid.

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City Budget & Appropriation Limit (continued)

City of Morgan Hill
Resolution No. 5589
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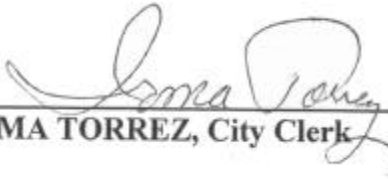
• CERTIFICATION •

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5589 adopted by the City Council at a Regular Meeting held on June 26, 2002

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL

DATE: _____

7/17/02


IRMA TORREZ, City Clerk

City Budget & Appropriation Limit (continued)

SCHEDULE A

CITY OF MORGAN HILL SPENDING LIMIT CALCULATION FISCAL YEAR 2002-03

APPROPRIATIONS SUBJECT TO LIMIT

Fiscal Year 2002-03 General Fund Revenues	\$16,066,908
Less Non Proceeds of Tax	4,191,458
Total appropriations subject to limits	<u>\$11,875,450</u>

APPROPRIATION LIMIT

Fiscal year 2001-02 appropriation limit	\$49,900,365
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Plus Change Factor:

A. Cost of living adjustment - CPI	0.9873
B. Population Adjustment	1.0208

Total Change Factor	1.00783584
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Increase in appropriation limit	<u>391,011</u>
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FISCAL YEAR 2002-03 APPROPRIATION LIMIT	<u>50,291,376</u>
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Remaining appropriation capacity	38,415,926
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Available capacity as a percent of appropriation limit	<u>76%</u>
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NOTES

- Cost of Living adjustment is based on percentage change in California per capita income.
- Population adjustment is based on the greater of annual population change for the City of Morgan Hill or Santa Clara County.

City Budget & Appropriation Limit (continued)

SCHEDULE B

CITY OF MORGAN HILL SPENDING LIMIT CALCULATION FISCAL YEAR 2002-03

REVENUE SOURCE	PROCEEDS		TOTALS
	OF TAX	NON PROCEEDS OF TAX	
Property Tax	\$2,050,000		2,050,000
Sales Tax	5,618,400		5,618,400
Transient Occupancy Tax	892,000		892,000
Franchise Revenue	965,000		965,000
Property Transfer Tax	220,000		220,000
Business License / Other Permits	164,450		164,450
Motor Vehicle in Lieu	1,965,600		1,965,600
Fines and Penalties		95,000	95,000
Use of Money and Property		724,400	724,400
Other Revenue / Other Agencies		\$262,150	262,150
Police and Fire Fees		166,350	166,350
Current Service Charges General Govt.		2,193,226	2,193,226
Transfers		750,332	750,332
Total	<u>\$11,875,450</u>	<u>\$4,191,458</u>	<u>\$16,066,908</u>
Percentage of Total	<u>74%</u>	<u>26%</u>	<u>100.00%</u>

Adoption of the RDA Budget

RESOLUTION NO. MHRA-241

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MORGAN HILL ADOPTING THE 2002/03 ANNUAL AGENCY BUDGET

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2002/03 fiscal year was prepared by Redevelopment Agency and City staff and was reviewed by the City Manager/Executive Director;

WHEREAS, the Redevelopment Agency of the City of Morgan Hill Budget for the 2002/03 fiscal year was presented to the Agency Board of Directors on May 15, 2002, was reviewed at Public Workshops on May 31, 2002, and was further reviewed at a Public Hearing on June 26, 2002;

WHEREAS in connection with the May 15, 2002 Redevelopment Agency Board of Directors meeting, the May 31, 2002 Budget Workshops, and the June 26, 2002 Public Hearing, certain changes to the Redevelopment Agency of the City of Morgan Hill Budget were approved by the Board of Directors; and

WHEREAS, modifications and amendments to the adopted 2002/03 Redevelopment Agency of the City of Morgan Hill Budget can only be made in accordance with the "Budget Administrative Policies" described in the Proposed Budget;

NOW, THEREFORE, the Redevelopment Agency Board finds that planning and administrative costs attributable to the Housing 20% Set-Aside fund are necessary and proportionate to amounts proposed for actual housing activities during the fiscal year; and

NOW, THEREFORE, BE IT RESOLVED that the Agency Board of the Redevelopment Agency of the City of Morgan Hill does hereby approve and adopt the Redevelopment Agency of the City of Morgan Hill 2002/03 Budget.

PASSED AND ADOPTED by the Morgan Hill Redevelopment Agency at a Special Meeting held on the 26th day of June, 2002 by the following vote:

AYES:	AGENCY MEMBERS:	LARRY CARR, HEDY CHANG, DENNIS KENNEDY, GREG SELLERS, STEVE TATE
NOES:	AGENCY MEMBERS:	NONE
ABSENT:	AGENCY MEMBERS:	NONE
ABSTAIN:	AGENCY MEMBERS:	NONE

RDA Budget (continued)

City of Morgan Hill
Resolution MHRA-241
Page 2

• CERTIFICATION •

I, IRMA TORREZ, AGENCY SECRETARY, do hereby certify that the foregoing is a true and correct copy of Resolution No. MHRA-241 adopted by the Morgan Hill Redevelopment Agency at the Special Meeting of June 26, 2002

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL

DATE: 7/23/02


Irma Torrez, Agency Secretary